

THE ENERGY STAR® RETAIL PRODUCTS PLATFORM: 2016/2017 Sample Filing Language

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How to use this document: this document is intended to serve as a resource/template for Program Sponsors wishing to secure approval for 2016/2017 pilot/programs. Bracketed language should be modified to reflect assumptions that are unique to individual sponsors' service territories prior to filing.

Program Summary

The ENERGY STAR Retail Products Platform (ESRPP) is a midstream initiative of energy efficiency program sponsors, retailers, and other key ENERGY STAR program partners and stakeholders, facilitated by the U.S. Environmental Protection Agency. The goal of the ESRPP is to transform markets by streamlining and harmonizing energy efficiency programs with retailers, making them less complex and more cost-effective. The ESRPP is based on the concept of developing a national-level structure for the design of program delivery and engagement with retailers, giving program sponsors new access to a low-cost retail program through national coordination¹.

[PROGRAM SPONSOR] will engage national retailers through the ESRPP to increase the demand for and supply of the most energy efficient residential plug-load and appliance products on the market, driving greater sales of select ENERGY STAR® certified products to customers. With a combination of incentives and engagement, retailers will assort, stock, and promote more energy efficient models than they would have absent the program. The shift in product availability will generate energy savings as utility customers purchase and install these more efficient models in their homes. In 2016, covered products include clothes dryers, freezers, room air cleaners, room air conditioners, and sound bars. In 2017, the portfolio will be expanded to incorporate two additional products: clothes washers and refrigerators.

Rationale

[PROGRAM SPONSOR] faces increased challenges in acquiring energy savings from consumer products programs as market share and per-unit efficiency increases for consumer products. The higher efficiency of average units decreases the incremental savings available from more efficient units, which reduces the cost-effectiveness of traditional consumer rebate approaches. With shrinking sales volume and smaller per-unit rebates available, retailers are having increasing difficulty justifying participation in traditional efficiency programs. [PROGRAM SPONSOR] faces rising efficiency goals and higher implementation costs as these easy-to-implement program opportunities decline or disappear from the market. The table below summarizes current market barriers and ESRPP program elements that address these barriers.

<i>Market Barrier</i>	<i>Program Element</i>
<ul style="list-style-type: none">Increasing marketing share of efficient units and dwindling per-unit energy savings of higher efficient units render traditional consumer rebates less cost effective.	<ul style="list-style-type: none">Smaller per-unit incentive payments are directed toward the retailer rather than the customer to affect greater stocking and sales of targeted measures without (necessarily) changing the price for consumers.
<ul style="list-style-type: none">Retailers are becoming less interested in participating in traditional energy efficiency programs, because such programs: are not core to their business; introduce cost and complexity; and consumer incentives offer reduced value and efficacy as a tool for driving sales.	<ul style="list-style-type: none">ESRPP, as a national platform, reduces complexity of multiple program approaches and requirements while allowing retailers the flexibility to determine the best path toward reaching sales goals. Incentive payments help engage retailers by encouraging them to offer ENERGY STAR products to their customers.
<ul style="list-style-type: none">Administrative costs as a percentage of program costs for retailer-based program implementation are on the rise.	<ul style="list-style-type: none">Nationally facilitated relationships with retailers and a uniform program structure will increase operational efficiencies and reduce administrative costs for both [PROGRAM SPONSOR] and retailer partners.

<i>Market Barrier</i>	<i>Program Element</i>
<ul style="list-style-type: none"> As a result of changing customer buying behaviors (such as increased online purchases) and low per unit rebates, customers have not always followed through on rebate/incentive applications regardless of their purchase of an ENERGY STAR certified product. 	<ul style="list-style-type: none"> ESRPP eliminates the customer responsibility for submitting rebate forms and instead relies on facilitated access to data from participating retailers.
<ul style="list-style-type: none"> Obtaining high quality and detailed sales data from retailers to verify savings. 	<ul style="list-style-type: none"> National retailers in ESRPP agree in advance to provide unprecedented access to category-level sales data required for EM&V activities.
<ul style="list-style-type: none"> Quickly evolving retail industry and small per unit energy savings make it difficult to successfully engage consumers in the traditional retail environment. 	<ul style="list-style-type: none"> Collaboration of program sponsors through the ESRPP creates opportunities to develop cost effective platforms to engage customers.

Target Market

Market intervention strategies are aimed at a highly concentrated group of retail decision makers. In many energy consuming product categories, a small group of retail merchants and marketers decide which products consumers see on the retail floor, are promoted in-store, advertised in marketing materials, and featured on the web. These same retail merchants and marketers purchase millions, and sometimes billions of dollars of products from global manufacturers which earns retailers significant influence in determining market price and the feature sets of products consumers will ultimately purchase.

Program Incentives

Note: The bracketed language and typical incentive levels included here are intended to serve as a template. When modifying this document to support an actual filing for program approval, the Program Sponsor should modify bracketed language and data to reflect actual proposed incentives and cost assumptions unique to their service territories at the time of filing.

[PROGRAM SPONSOR] will provide incentives to participating retailers to increase sales of ENERGY STAR certified products—in 2016, these products include clothes dryers, freezers, room air cleaners, room air conditioners, and sound bars. In 2017, the portfolio will be expanded to incorporate two additional products: clothes washers and refrigerators. Examples of retailer strategies may be increased stocking and promotion of qualifying ENERGY STAR models or marketing campaigns focusing on core products, as well as sales associate spiffs or training. If they feel it would effectively increase sales, retailers may choose to use incentive funds to reduce the sales price for products, but this is not a requirement or an expectation of the program.

[A typical/PROGRAM SPONSOR's] incentive offering, based on the [average U.S.] electricity rate of [\$0.11/kwh] and ENERGY STAR's assumptions for costs, lifetimes and savings, [will] be:

<i>ENERGY STAR Certified Product</i>	<i>Specification</i>	<i>[Typical] Unit Incentive Level</i>	<i>Program Year</i>
Clothes Dryers	ENERGY STAR Version 1.0	[\$50]	2016 & 2017
Freezers	ENERGY STAR Version 5.0	[\$20]	2016 & 2017
Room Air Cleaners	ENERGY STAR Version 1.2	[\$20]	2016 & 2017
Room Air Conditioners	ENERGY STAR Version 4.0	[\$10 - \$40]	2016 & 2017
Sound Bars	ENERGY STAR Version 3.0+15%	[\$15]	2016 & 2017
Clothes Washers	ENERGY STAR Version 7.1	TBD	2017
Refrigerators	ENERGY STAR Version 5.0	TBD	2017

Incentive levels depend on local energy prices and other assumptions dictated by local conditions, and can vary from the typical unit incentive level. To motivate retailers to transform the market towards efficient products, the specifications for qualified products are common among program sponsors.

Incentive payments will be made to retailers on a per-unit-sold basis, within a predetermined budget, paid on a [monthly/quarterly] basis during the program cycle.

Program Delivery

The strategy for ESRPP program delivery includes the following main elements:

- 1. Program Design:** [PROGRAM SPONSOR] adheres to a consistent national program design and common program implementation to promote the core product categories using exact specifications and agrees to accept a standard set of data from participating retailers. Product categories can be shifted in the longer terms as markets develop and change.
- 2. Retailer Engagement:** [PROGRAM SPONSOR] will work through a partnership framework facilitated by EPA to partner with national retailers involved with the ESRPP. Retailers will supply the data that will help [PROGRAM SPONSOR] develop a local baseline for sales of the core product categories and sales goals for the duration of the program cycle. [At the end of/at periodic stages throughout] the program cycle, [PROGRAM SPONSOR] will be given sales data as agreed prior to program launch.
- 3. Customer Outreach and Education:** [PROGRAM SPONSOR] and participating retailers will leverage national marketing messages (with the option of local/regional enhancements) and co-branded marketing templates developed by EPA in collaboration with retailers and program sponsors participating in the ESRPP, and tailor them directly to the needs of customers in [PROGRAM SPONSOR]'s service territory.
- 4. Incentive Coordination and Processing:** [At the end of/at periodic stages throughout] the program cycle, [PROGRAM SPONSOR] will provide participating retailers with incentive payments as agreed prior to program launch in [PROGRAM SPONSOR]'s service territory.
- 5. Program Performance Tracking and Improvement:** [At the end of/at periodic stages throughout] the program cycle, [PROGRAM SPONSOR] will compare aggregate baseline energy savings data to aggregate achieved energy savings data and assess changes in qualified product market share for product categories in order to make recommendations for strengthening and improving the program model for the next period.
- 6. Reporting:** A predefined set of consistent and detailed category-level sales data will be provided by participating retailers for the purpose of [PROGRAM SPONSOR]'s internal, regulatory and EM&V requirements. Retailers' "business-as-usual" sales strategies for the core products and their chosen sales tactics that were adopted and implemented as a result of [PROGRAM SPONSOR]'s incentive payment will also provide evidence of program performance.

[Annual] Costs and Savings

Note: The table and metrics below are intended to be a template. Energy savings data and metrics presented here are provided to help program sponsors fully develop the assumptions that are unique to their service territories. The **ESRPP Product Analysis Workbook** provides details on cost, savings, and data sources. To request a copy of this workbook, please contact Daniel Lawlor (daniel.lawlor@cadmusgroup.com)

	Freezers	Electric Clothes Dryers*	Room Air Cleaners	Room Air Conditioners	Sound Bars (ENERGY STAR + 15%)	Refrigerators	Clothes Washers
Gross Unit Energy Savings (kWh/yr)	32	160	214	55	52	50	101
Lifetime (years)	11	12	9	9	7	12	11
Market Share of ENERGY STAR	29%	25%	24%	40%	21%	45%	45%

*Gas clothes dryers may also be considered for a program sponsor's portfolio. For information or energy savings data regarding those products, please contact Dan Lawlor or Anthony Albano at The Cadmus Group.

Future Product Changes and Transitions

While the current set of products contained in the platform is set, in the future changes will be made as program sponsors successfully transform the market to more efficient products. This transition will be triggered by changes in market share, the development of new products, changes to ENERGY STAR or minimum efficiency standards, or other factors. The goal will be to stay ahead of the market and closely monitor changes in energy efficient products with the goal of maximizing cost effective energy savings over a large portfolio of products, including consumer electronics, appliances, and eventually lighting products.

Tracking and Reporting

[PROGRAM SPONSOR] will be supported by the evaluation, measurement, and verification (EM&V) methods developed for the ESRPP and may need to conform to any additional applicable regional requirements.

Metrics for Gauging Program Success:

- Number of qualifying measures purchased by model/product;
- Gross energy and demand savings associated with purchased/installed measures (purchases x unit_energy_savings for each qualified product);
- Gross energy and demand savings associated with purchased/installed measures due to adoption of codes and standards;
- Market share (qualified units as a share of all units sold within each product category);
- Sales weighted unit energy consumption (UEC): average of all models sold within each product subcategory weighted by their respective sales volume over a specified time period;
- Net unit energy savings (difference between the non-qualified and qualified UEC values within each subcategory);
- [PROGRAM SPONSOR] influence on retailer decision to change qualifying units stocked, demanded and sold;
- Validation of in-store associate training, customer education, promotional and marketing efforts by retailer for qualifying measures sold;
- Retailer satisfaction with the program and the products;
- Program implementation costs incurred;
- Program cost effectiveness;
- Increase in number and proportion of qualifying products stocked at participating retailers.

Measure Savings:

Retailers will help [PROGRAM SPONSOR] establish a sales baseline by providing sales data for the 12 months preceding program launch for products sold for each product category in participating stores in [PROGRAM SPONSOR]'s service territory. On a monthly basis, participating retailers will provide sales and model information at the store level. This will be uploaded into a tracking tool with ENERGY STAR product information to identify category-level (qualified and non-qualified) sales and to capture accurate measure-level gross energy consumption and savings for units sold. The [PROGRAM SPONSOR]'s implementation team with the assistance of participating retailers [will] also:

- Verify the reporting of measures for a statistical sample of projects to maintain quality assurance;
- Supply tracking database extracts on an as-needed basis determined by the evaluation, measurement, and verification (EM&V) contractor to properly measure and verify the program savings and accuracy of the quarterly reports; and/or
- Track other short-term and mid-term indicators over time to make sure that the program is on track to achieve its ultimate objective, market transformation.

EM&V Process

Acceptable evaluation methods may vary by utility, depending on the individual regulatory requirements. The ESRPP EM&V task force developed recommendations for this program based on input provided by national experts and disseminated several guidance documents to pilot participants in 2016.

Some of the preliminary methods for assessing the Program's impact include:

- A mixed methods approach that relies on systematically gathering and analyzing data from multiple sources using a variety of techniques relevant to the program implementation logic model to triangulate on a savings estimate:
 - Surveys and interviews of retailers, contractors, and service providers who participate and/or promote the program;
 - Collection and analysis of in-store associate training, customer education, promotional and marketing efforts by retailer for qualifying measures sold;
 - Interviews with the implementation team and [PROGRAM SPONSOR] staff;
 - Interviews with manufacturers;
 - Review analysis of historical and program-period sales data for each product category from participating retailers, and (including category level historical data, as well as program year categorical level sales data);
 - For participating retailers, compare participating stores to non-participating stores with respect to sales of qualified products and market share;
 - Visual data inspection to establish trend of program influence;
 - Comparison of forecasted higher efficiency unit sales prior to ESRPP implementation to post implementation actual sales using segmented regression techniques.
- Evaluations of market transformation (MT) programs must account for savings estimates with longer time frames and greater uncertainty than those for resource acquisition programs.

ⁱ The initial group of sponsors and key stakeholder group have been sensitive to anti-trust considerations during the early development of the ESRPP. Accordingly, preserving the ability for participants to choose product categories at their discretion and to set incentive levels independently are important elements of the platform. It is recommended that each participant conduct their own legal due diligence.